

BEFORE THE IDAHO BOARD OF TAX APPEALS

ADMIRAL BEVERAGE CORPORATION,)	
)	
Appellant,)	APPEAL NO. 15-A-1175
)	
v.)	FINAL DECISION
)	AND ORDER
CANYON COUNTY,)	
)	
Respondent.)	
_____)	

PERSONAL PROPERTY APPEAL

This appeal is taken from a decision of the Canyon County Board of Equalization modifying the protest of valuation for taxing purposes of property described by Parcel No. 622221660. The appeal concerns the 2015 tax year.

This matter came on for hearing January 8, 2016 in Boise, Idaho before Hearing Officer Travis VanLith. Attorneys Steve Young and Scott Hess appeared at hearing for Appellant. Chief Deputy Assessor Joseph Cox represented Respondent.

Board Members David Kinghorn, Linda Pike and Leland Heinrich participated in this decision.

The issue on appeal concerns the market value of personal property.

The decision of the Canyon County Board of Equalization is reversed.

FINDINGS OF FACT

The total assessed value of the personal property is \$12,345,567. Appellant contends the correct value is \$6,417,870. Only the personal property is in dispute, and further specifically at issue is the value of the personal property in the facility at the time of purchase. Appellant contends this property should be valued at approximately \$2.6 million, not the \$8.6 million as assessed. The remaining personal property, which was acquired after the plants purchase, is assessed at approximately \$3.7 million. According to Appellant, this portion of the personal

property was assessed correctly and is not being challenged.

The Subject property is a carbonated beverage plant located in Nampa, Idaho. Appellant purchased the entire plant in May 2014 for \$13,835,000, plus an additional \$800,000 for the existing supply of raw materials. The purchase included four (4) real parcels and one (1) personal property parcel. In the Purchase and Sale Agreement an amount of \$2,666,000 was allocated to the personal property, with the remainder allocated to the real property. Appellant noted the real property parcels were assessed within 4% of the actual purchase price.

As the issue in the appeal is limited to specific personal property currently assessed at \$8,593,697, we will limit our facts and conclusions to such personal property valuation. The subject personal property consists of fixtures, signs, tanks, machinery and equipment and other personal property situated at the plant.

Appellant considered the sales comparison, income, and cost approaches in arriving at its requested value. The sales comparison approach relied on the actual purchase of subject in May, 2014 in which the personal property was acquired for approximately \$2,666,000. An agreement of purchase and sale was provided. Respondent suggested the transaction was a distressed sale as the owner was closing the facility prior to selling it to Appellant. Appellant's appraiser explained it was not a distressed sale, it was considered standard for the industry.

Appellant provided an independent appraisal dated May 22, 2013. The estimated Market Value of the equipment in place was \$2,964,500. The cost approach was used in conjunction with the market approach. The equipment was cataloged and examined. The general condition of the assets was considered to be "good." The income approach was considered but not given weight as in this instance it was deemed very limited in estimating values of machinery and

equipment.

Respondent reported the assets were insured for roughly \$55,000,000. Appellant explained the insured amount has nothing to do with market value. Respondent suggested otherwise.

Respondent explained the general process for assessing personal property. When new property is added to a business, taxpayers are to report it, and the purchase price. Respondent uses this original cost figure, then applies the State Tax Commission's depreciation tables for the remaining life of the asset, until it is removed or replaced by the taxpayer. With the original cost of subjects' personal property totaling approximately \$25,000,000, Respondent determined a depreciated value of \$18,000,000. The Canyon County Board of Equalization reduced this value to roughly \$12,000,000. Respondent maintained the assessed value was based on the original cost with a 40% depreciation adjustment, for a total value of \$8,593,697.

Respondent detailed many of the previous owners and assessments going back over five (5) years. It was contended that in previous years the assessed value was not challenged nor appealed. Respondent provided information on some bottling plant sales which were mostly out-of-state properties. The sale properties had recent sale prices and assessed values in the range of subject's current assessed value. Respondent further provided information on three (3) bottling plants to compare with subject. The first was a 583,420 square foot plant built in 1985 and located in Arizona. This property was situated on 24.47 acres. The assessed value of the land and building was \$28,255,400. The personal property was valued at \$32,874,727, for a total market value of \$61,130,127. Respondent noted this property was scheduled to sell to Swire Coca-Cola in 2016 for \$66,500,000.

The second property was a 332,162 square foot plant built in 1971, situated on 15.36 acres in Colorado. The assessed value of the land and building was \$6,301,000, and the personal property was valued at \$16,878,773, for a total market value of \$23,179,177. Respondent stated Swire Coca-Cola was going to purchase this plant in 2016 for \$42,000,000.

Lastly provided was a 305,000 square foot plant built in 1967. This property was located in Massachusetts. The land and building was assessed at \$11,216,800, and the personal property was assessed at \$13,800,000. This property was for sale with an asking price of \$25,000,000.

Respondent contended based on the insured amount of the personal property, along with the original cost depreciated the assessed value of the personal property was well supported.

CONCLUSIONS OF LAW

This Board's goal in its hearings is the acquisition of sufficient, accurate evidence to support a determination of fair market value, or as applicable exempt status. This Board, giving full opportunity for all arguments and having considered all testimony and documentary evidence submitted by the parties in support of their respective positions, hereby enters the following.

Idaho Code § 63-205 requires taxable property be assessed at market value annually on January 1; January 1, 2015 in this case. Market value is defined in Idaho Code § 63-201, as,

“Market value” means the amount of United States dollars or equivalent for which, in all probability, a property would exchange hands between a willing seller, under no compulsion to sell, and an informed, capable buyer, with a reasonable time allowed to consummate the sale, substantiated by a reasonable down or full cash payment.

Market value is estimated according to recognized appraisal methods and techniques. There are three (3) approaches to value, the sales comparison approach, the cost approach,

and the income approach. Both parties generally explained their consideration of each approach to value. Each party disregarded the income approach in reaching their respective value conclusions, as it did not necessarily pertain to the subject's industry and the type of personal property under appeal.

The only issue before us is the portion of the personal property with an assessed value of \$8.6 million. Appellant contends it should be valued at approximately \$2.6 million. The remaining portion of the personal property with an assessed value of \$3.7 million was not challenged.

We found Respondent's general methodology of relying on the cost approach is not inaccurate for mass appraisal, however, Respondent failed to give consideration to subject's recent sale. Further, we found Respondent did not provide depreciation schedules or other work product to fully demonstrate or support its valuation of the personal property.

Appellant's appraiser also lacked some supporting data, however, it was based on the sales comparison approach and the cost approach for some items on the list for which recent sales data was not available. The most compelling evidence before us was the 2014 purchase of subject and the fee appraisal from one (1) year prior to the purchase. We found Appellant did provide three (3) independent indicators of value, all within a tight range.

In this case, overall Appellant provided the superior value case. The value indicators were all within 18 months of the lien date, compared with Respondent's value which was predominantly based on costs from more than ten (10) years ago.

In accordance with Idaho Code § 63-511, the burden is with the Appellant to establish Respondent's valuation is erroneous by a preponderance of the evidence. In this instance, the

Board is satisfied that burden has been satisfied. Giving weight to the recent purchase of subject, the Board found support for a total personal property value of \$6,417,870. The decision of the Canyon County Board of Equalization is reversed accordingly.

FINAL ORDER

In accordance with the foregoing Final Decision, IT IS ORDERED that the decision of the Canyon County Board of Equalization concerning the subject parcel be, and the same hereby is REVERSED setting the assessed value at \$6,417,870.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 63-1305, any taxes which have been paid in excess of those determined to have been due be refunded or applied against other *ad valorem* taxes due from Appellant.

Idaho Code § 63-3813 provides that under certain circumstances the above ordered value for the current tax year shall not be increased in the subsequent assessment year.

DATED this 13th day of April, 2016.